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**PORT CITY ENTERPRISES, INC.**

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**FINANCIAL STATEMENTS**

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**JUNE 30, 2011 AND 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 15 2012**

**PORT CITY ENTERPRISES, INC.**  
**JUNE 30, 2011 AND 2010**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Port City Enterprises, Inc.

I have audited the accompanying statements of financial position of Port City Enterprises, Inc. (a non-profit organization) as of June 30, 2011, and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port City Enterprises, Inc. as of June 30, 2011, and 2010, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 24, 2011, on my consideration of Port City Enterprises, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants, and on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audits.



Baton Rouge, Louisiana  
October 24, 2011

**ROY HEBERT**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Port City Enterprises, Inc

I have audited the financial statements of Port City Enterprises, Inc (a nonprofit organization) as of and for the years ended June 30, 2011, and 2010, and have issued my report thereon dated October 24, 2011. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Port City Enterprises, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port City Enterprises, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Port City Enterprises, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted a certain matter that I reported to management of Port City Enterprises, Inc. in a separate letter dated October 24, 2011.

This report is intended for the information of the board of directors, management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to be 'BA', is written over the printed name and date.

Baton Rouge, Louisiana  
October 24, 2011

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

| ASSETS   | <u>2011</u>              | <u>2010</u>              |
|--|--------------------------|--------------------------|
| Current Assets                                 |                          |                          |
| Cash   | \$ 415,365               | \$ 400,419               |
| Accounts receivables                           | <u>37,222</u>            | <u>38,343</u>            |
| Total current assets                           | <u>452,587</u>           | <u>438,762</u>           |
| Property, plant, and equipment                 |                          |                          |
| Greenhouse                                     | 8,732                    | 8,732                    |
| Lawn equipment                                 | 17,799                   | 17,799                   |
| Office furniture and equipment                 | 14,510                   | 12,826                   |
| Vehicles                                       | 42,290                   | 42,290                   |
| Leasehold improvements                         | <u>47,925</u>            | <u>47,609</u>            |
|  | 131,257                  | 129,257                  |
| Less accumulated depreciation and amortization | <u>(102,006)</u>         | <u>(90,993)</u>          |
| Net property, plant, and equipment             | <u>29,250</u>            | <u>38,264</u>            |
| <b>TOTAL ASSETS</b>                            | <b><u>\$ 481,837</u></b> | <b><u>\$ 477,026</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>              |                          |                          |
| Current liabilities                            |                          |                          |
| Accounts payable                               | \$ 1,945                 | \$ 3,452                 |
| Accrued expenses                               | 2,265                    | 48                       |
| Payroll withholdings                           | <u>5,555</u>             | <u>-</u>                 |
| Total current liabilities                      | <u>9,765</u>             | <u>3,501</u>             |
| Net assets                                     |                          |                          |
| Unrestricted                                   | <u>472,072</u>           | <u>473,526</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>        | <b><u>\$ 481,837</u></b> | <b><u>\$ 477,026</u></b> |

The accompanying notes are an integral part of these financial statements.

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| <b>SUPPORT AND REVENUE</b>                 |                   |                   |
| Support:                                   |                   |                   |
| Contributions                              | \$ 20,040         | \$ 18,600         |
| Total support                              | <u>20,040</u>     | <u>18,600</u>     |
| Revenue:                                   |                   |                   |
| Contract funds                             | 466,619           | 452,016           |
| Interest income                            | 3,815             | 5,429             |
| Miscellaneous income                       | 2,595             | 4,486             |
| Total revenue                              | <u>473,028</u>    | <u>461,930</u>    |
| Total support and revenue                  | <u>493,068</u>    | <u>480,530</u>    |
| <b>EXPENSES</b>                            |                   |                   |
| Program services                           | 446,443           | 421,730           |
| Supporting services-management and general | <u>48,079</u>     | <u>48,578</u>     |
|  | <u>494,522</u>    | <u>470,308</u>    |
| Change in net assets                       | (1,454)           | 10,222            |
| Net assets, beginning of the year          | <u>473,526</u>    | <u>463,304</u>    |
| Net assets, end of the year                | <u>\$ 472,072</u> | <u>\$ 473,526</u> |

The accompanying notes are an integral part of these financial statements.

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2011, AND 2010**

|                        | <b>2011</b>       |                  |                   | <b>2010</b>       |                  |                   |
|------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                        | <b>Management</b> |                  |                   | <b>Management</b> |                  |                   |
|                        | <b>Program</b>    | <b>and</b>       |                   | <b>Program</b>    | <b>and</b>       |                   |
|                        | <b>Services</b>   | <b>General</b>   | <b>Totals</b>     | <b>Services</b>   | <b>General</b>   | <b>Totals</b>     |
| Advertising            | \$ -              | \$ 114           | \$ 114            | \$ -              | \$ 82            | \$ 82             |
| Answering service      | 971               | -                | 971               | 1,067             | -                | 1,067             |
| Bank charges           | -                 | 141              | 141               | -                 | 87               | 87                |
| Depreciation expense   | 9,913             | 1,101            | 11,014            | 11,799            | 1,311            | 13,110            |
| Directors' meetings    | -                 | 687              | 687               | -                 | 825              | 825               |
| Facilities costs       | 10,800            | 1,200            | 12,000            | 10,800            | 1,200            | 12,000            |
| Insurance              | 30,301            | 3,991            | 34,292            | 29,003            | 4,185            | 33,188            |
| Internet service       | 1,188             | -                | 1,188             | 996               | -                | 996               |
| Licenses               | -                 | 600              | 600               | -                 | 686              | 686               |
| Medical services       | 80                | -                | 80                | 174               | -                | 174               |
| Miscellaneous expenses | 1,378             | 643              | 2,021             | 746               | 64               | 810               |
| Pager and cell phone   | 2,871             | -                | 2,871             | 3,047             | -                | 3,047             |
| Payroll taxes          | 24,760            | 2,194            | 26,954            | 22,957            | 2,150            | 25,107            |
| Pest control           | 464               | 51               | 515               | 410               | 46               | 455               |
| Postage                | -                 | 469              | 469               | -                 | 415              | 415               |
| Professional fees      | 3,405             | 3,405            | 6,810             | 5,131             | 5,131            | 10,263            |
| Repairs                | 5,233             | 269              | 5,502             | 6,468             | 171              | 6,639             |
| Salaries               | 322,810           | 28,600           | 351,410           | 300,148           | 28,109           | 328,257           |
| Security               | 490               | 54               | 544               | 379               | 42               | 421               |
| Services for clients   | 1,842             | -                | 1,842             | 2,184             | -                | 2,184             |
| Staff training         | 560               | -                | 560               | 610               | -                | 610               |
| Staff travel           | 16,019            | -                | 16,019            | 14,043            | -                | 14,043            |
| Supplies               | 11,687            | 4,374            | 16,061            | 10,178            | 3,899            | 14,077            |
| Telephone              | 1,671             | 186              | 1,857             | 1,589             | 177              | 1,765             |
| Total expenses         | <u>\$ 446,443</u> | <u>\$ 48,079</u> | <u>\$ 494,522</u> | <u>\$ 421,730</u> | <u>\$ 48,578</u> | <u>\$ 470,308</u> |

The accompanying notes are an integral part of these financial statements



**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities  |                   |                   |
| Change in net assets  | \$ (1,454)        | \$ 10,222         |
| Adjustments to reconcile change in net assets to<br>net cash provided (used) by operating activities: |                   |                   |
| Depreciation  | 11,014            | 13,110            |
| (Increase) decrease in accounts receivable  | 1,121             | 18,606            |
| (Increase) decrease in refundable payroll taxes   | -                 | 3,280             |
| Increase (decrease) in accounts payable   | (1,507)           | 1,059             |
| Increase (decrease) in accrued expenses   | 2,217             | 7                 |
| Increase (decrease) in payroll withholdings   | <u>5,555</u>      | <u>-</u>          |
| Total adjustments   | <u>18,400</u>     | <u>36,063</u>     |
| Net cash provided (used) by operating activities  | <u>16,946</u>     | <u>46,285</u>     |
| Cash flows from investing activities  |                   |                   |
| Purchases of fixed assets   | <u>(2,000)</u>    | <u>(3,732)</u>    |
| Net cash provided (used) by investing activities  | <u>(2,000)</u>    | <u>(3,732)</u>    |
| Net increase (decrease) in cash and equivalents   | 14,946            | 42,553            |
| Cash and equivalents at beginning of the year   | <u>400,419</u>    | <u>357,866</u>    |
| Cash and equivalents at end of the year   | <u>\$ 415,365</u> | <u>\$ 400,419</u> |

The accompanying notes are an integral part of these financial statement.

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1- Summary of Significant Accounting Policies**

Nature of Activities

Port City Enterprises, Inc. is organized for the purpose of assisting people with developmental disabilities in finding and maintaining community based employment of their own choosing, to educate the public concerning the rights of individuals with disabilities and supported employment programs in general, to advocate for the employment of individuals with severe disabilities in community settings where the majority of co-workers are individuals without severe disabilities, and to act as an information clearinghouse for programs offering supported employment services regarding best practices, and policies and procedures specific to the State of Louisiana

Basis of Accounting

The financial statements of Port City Enterprises, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Financial Statement Presentation

Port City Enterprises, Inc. follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No 117, *Financial Statements of Not-for-Profits Organizations*. Under SFAS No 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents

Donated Facilities Costs

The West Baton Rouge Parish Police Jury provides facilities, including utilities and building maintenance, for the use of Port City Enterprises, Inc. This provision is made at no cost to the organization. Management has estimated that the fair market value of the facility usage, utilities and building maintenance at \$12,000. The financial statements reflect \$12,000 of support from this in-kind donation and \$12,000 of expense in connection with facility costs

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenue and expenses. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between program and supporting services benefited.

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

All directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Property and Equipment**

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

**Leasehold Improvements**

Leasehold improvements are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of the respective improvements. When improvements are abandoned or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

**NOTE 2-Certificates of Deposit**

Certificates of deposit totaling \$175,901 and \$173,811 for 2011 and 2010, respectively, are included in cash in the accompanying financial statements. The certificates bear interest of .6%, .45% and .3% and 1.9%, 1.1%, and .65% in 2011 and 2010, respectively, and have maturities of three, four, and five months and seven and twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**NOTE 3-Financial Instruments**

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of temporary cash investments. The organization places its temporary cash equivalents with financial institutions.

The estimated fair values of the organization's financial instruments, none of which are held for trading purposes, are as follows:

|                                 | <u>2011</u> | <u>2010</u> |
|---------------------------------|-------------|-------------|
| Cash and short-term investments | \$ 415,365  | \$ 400,419  |

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

Cash and short-term investments carrying amounts approximate fair value because of the short maturities of those investments.

**NOTE 4-Economic Dependency**

Port City Enterprises, Inc.'s primary sources of revenue are from contracts administered and/or funded by the State of Louisiana and the United States government. During the years presented, approximately 66% and 66% of the organization's revenues were derived from these sources in 2011 and 2010, respectively. All of the amounts listed as accounts receivable are from these sources.

The Organization's clients, during the years presented, all reside within the state of Louisiana.

**NOTE 5-Evaluation of Subsequent Events**

Subsequent events were evaluated through October 24, 2011, which is the date the financial statements were available to be issued.

**Port City Enterprises, Inc.**  
**Summary Schedule of Findings**  
**Year Ended June 30, 2011**

A. Findings-financial statement audit

1 None

**Port City Enterprise, Inc.**  
**Summary Schedule of Prior Year Findings**  
**Year Ended June 30, 2010**

**A.    Findings-financial statement audit:**

1. None

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To the Senior Management and  
the Board of Directors  
Port City Enterprises, Inc

In planning and performing my audit of the financial statements of Port City Enterprises, Inc for the year ended June 30, 2011, I considered the organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control

However, during my audit, I became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency (I previously reported on the organization's internal control over financial reporting in my report dated October 24, 2011.) This letter does not affect my report dated October 24, 2011, on the financial statements of Port City Enterprises, Inc.

I will review the status of this comment during my next audit engagement. I will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. My comments are summarized as follows

**Organizational Structure**

The size of Port City Enterprises, Inc.'s accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain actively involved in the financial affairs of the organization to provide oversight and independent review functions.

The management of Port City Enterprises, Inc. agrees with the comment but also acknowledges that its finances do not allow them the flexibility of adding additional staff to implement the recommendation.

This comment is identical to the one made upon the completion of the audit for the year ended June 30, 2010, and is the only comment made in connection with that audit.

I wish to thank the Executive Director and her staff for their assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and the Legislative Auditor



Baton Rouge, Louisiana  
October 24, 2011